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ORIGIN EB-07

INFO OCT-01 AF-06 EUR-12 EA-07 IO-10 ISO-00 AGR-05 AID-05

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00

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INFO AMEMBASSY DAKAR

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E.O. 11652' N/A

TAGS: AID, EAGR

SUBJECT: INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
(IFAD): INFORMAL DAC DISCUSSION

FOR DAKAR: PASS AID ADMINISTRATOR PARKER

SUMMARY: DAC MEMBERS HAD A USEFUL DISCUSSION OF THE MAJOR OUTSTANDING ISSUES IN ESTABLISHMENT OF IFAD ON OCT. 16. A GENERAL CONSENSUS WAS REACHED ON (A) THE PROVISIONS FOR SOME SYSTEM OF WEIGHTED VOTING WITHIN GROUP A (DEVELOPED COUNTRY DONORS) ON THE GOVERNING COUNCIL, (B) THE DESIRABILITY OF LIMITING IFAD IN ITS OPERATIONS TO WORKING THROUGH EXISTING IFIS AND OTHER INTERNATIONAL ORGANIZATIONS AND (C) THE APPROPRIATENESS OF INSISTING ON A TARGET OF \$1 BILLION IN PLEDGES BEFORE THE IFAD AGREEMENT BECOMES OPERATIONAL. NO CONSENSUS WAS REACHED ON THE ISSUE OF WEIGHTED VOTING OR THE EXECUTIVE BOARD. ON ALL THESE ISSUES, GROUP A UNITY IS EXTREMELY FRAGILE AND NOT LIKELY TO HOLD TOGETHER VERY WELL IN THE FACE OF STRONG UNITED G-77 OPPOSITION AT THE FORTHCOMING MEETING IN ROME BECAUSE MANY DAC COUNTRIES EXPRESSED THE NEED FOR SOME FLEXIBILITY IN MEETING G-77 DEMANDS. END SUMMARY.

1. UNDER THE CHAIRMANSHIP OF DAC CHAIRMAN WILLIAMS, DAC MEMBERS HAD A USEFUL DISCUSSION OF OUTSTANDING IFAD ISSUES OCT. 16. FOCUS OF DISCUSSION CENTERED ON THREE MAIN ISSUES: WEIGHTED VOTING, RELATIONSHIP OF IFAD TO OTHER IFIS, AND IFAD TARGET. IN ITS INITIAL INTERVENTION U.S. DELEGATION REPEATED USG POSITION ON THESE ISSUES AND STATED THAT THEY WERE BASIC REQUIREMENTS FOR U.S. PARTICIPATION IN IFAD.

2. THE DISCUSSION ON WEIGHTED VOTING WAS LENGTHY AND REVEALED SHARP DIFFERENCES. THE OPPOSITION TO WEIGHTED VOTING WAS LED BY SWEDEN WITH SUPPORT FROM THE NETHERLANDS, BELGIUM AND NORWAY. THE MAIN ARGUMENTS ADVANCED BY THIS GROUP WERE THAT WEIGHTED VOTING WAS OUT OF STEP WITH THE NEW REALITY AND THE SPIRIT OF THE SEVENTH SPECIAL SESSION
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AND THAT IT WAS UNDEMOCRATIC AND UNFAIR TO THE SMALLER COUNTRIES WHOSE RELATIVE CONTRIBUTION (IN PER CAPITA GNP TERMS) WAS QUITE LARGE. THE U.S. AND THE U.K. WERE THE PRINCIPAL PROPONENTS OF WEIGHTED VOTING WITH STRONG SUPPORT FROM THE FRG, JAPAN, AND TO A LESSER DEGREE FROM AUSTRALIA AND CANADA. WE ARGUED THAT THE SPIRIT OF THE SEVENTH SPECIAL SESSION WAS REFLECTED IN THE VOTING PATTERN WHICH GUARANTEED TWO-THIRDS OF THE VOTES TO

DEVELOPING COUNTRIES (DONORS AND RECIPIENTS). WE NOTED THE NEED TO OBTAIN APPROVAL FROM OUR RESPECTIVE LEGISLATURES AND STRESSED THE IMPORTANCE OF WEIGHTED VOTING WITHIN GROUP A IN BOTH THE COUNCIL AND THE EXECUTIVE BOARD IN OBTAINING THE NECESSARY PARLIAMENTARY SUPPORT AND TO INSURE THAT FUND'S OPERATIONS WERE CONSISTENT WITH ITS STATED OBJECTIVES AND PRUDENT MANAGEMENT. AFTER CONSIDERABLE POSTURING A GENERAL CONSENSUS WAS REACHED THAT GROUP A WOULD ADOPT SOME SCHEME OF WEIGHTED VOTING IN THE COUNCIL. THE NETHERLANDS TABLED A PAPER WITH A NUMBER OF ALTERNATIVES FOR WEIGHTED VOTING. SWEDEN WITH SUPPORT FROM THE SAME COUNTRIES AS MENTIONED ABOVE CONTINUED TO OPPOSE WEIGHTED VOTING IN THE EXECUTIVE BOARD HOWEVER.

3. IN A SEPARATE CONVERSATION WITH THE U.S. DELEGATION, THE SWEDISH REPRESENTATIVE (HJERTONSSON) OFFERED HIS GOOD OFFICES TO HELP PERSUADE THE G-77 OF OUR POSITION ON LENDING THROUGH THE IFI'S AND ON THE \$1 BILLION TARGET IF WE WOULD ACCEPT THE POSITION OF ONE-MAN ONE-VOTE ON THE EXECUTIVE BOARD. HE ARGUED THAT THE SWEDISH PARLIAMENT HAD VERY STRONG VIEWS ON THIS ISSUE AND STATED THAT AS LONG AS THE G-77 WAS FIRM IN REJECTING THE CONCEPT OF WEIGHTED VOTING WITHIN GROUP A ON THE EXECUTIVE BOARD, SWEDEN WOULD SUPPORT THEM. WE OUTLINED IN SOME DETAIL OUR POSITION ON THIS ISSUE STRESSING AGAIN ITS IMPORTANCE IN OBTAINING APPROPRIATIONS FOR IFAD.

4. DURING THE DISCUSSION OF THE RELATIONSHIP OF IFAD TO THE IFI'S, THERE WAS GENERAL SUPPORT FOR THE VIEW THAT IFAD SHOULD OPERATE SOLELY THROUGH EXISTING IFI'S AND OTHER INTERNATIONAL ORGANIZATIONS, E.G., FAO. ONLY THE DUTCH ARGUED FOR DIRECT LENDING TO NATIONAL AGENCIES. THE JAPANESE NOTED THAT THE G-77 WAS LIKELY TO BE VERY FIRM IN LIMITED OFFICIAL USE

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OPPOSING THIS POSITION AND ARGUED THAT THE DAC COUNTRIES WOULD HAVE TO SHOW SOME TACTICAL FLEXIBILITY.

5. THE POSITION THAT THE IFAD AGREEMENT SHOULD NOT BE FORMALLY SIGNED UNTIL THERE ARE FIRM PLEDGES TOTALLING AT LEAST \$1 BILLION RECEIVED A FAIR AMOUNT OF SUPPORT. FRANCE RESERVED HER POSITION BUT QUESTIONED THE VALIDITY OF SUCH A HIGH TARGET NOTING THE INCREASE IN BILATERAL ASSISTANCE AND THE LOWERED EXPECTATION OF OPEC SURPLUSES SINCE THE TIME THE TARGET WAS ESTABLISHED. DURING THE

DISCUSSION, MANY COUNTRIES ASKED HOW LONG THE U.S. APPROPRIATION PROCESS WOULD TAKE. WE STATED OUR INTENTION TO SEEK APPROPRIATIONS OF THE FULL AMOUNT OF THE U.S. PLEDGE THIS FISCAL YEAR IF A SATISFACTORY AGREEMENT COULD

BE NEGOTIATED AND IF ALL GROUP A AND B DONORS PLEDGES TOTAL \$1 BILLION. FEW COUNTRIES WERE IN A POSITION TO STATE THE SIZE OF THEIR CONTRIBUTION. THE U.K. MENTIONED 15 MILLION POUNDS AND THE NORWEGIAN MENTIONED \$8 MILLION. PRIVATELY THE SWEDE SAID HE WAS SEEKING \$25 MILLION.

6. THE DAC COUNTRIES AGREED TO MEET AGAIN THE MORNING OF OCT. 27 IN ROME TO DISCUSS THESE ISSUES FURTHER.

7. COMMENT: ALTHOUGH THERE WAS A GENERAL ACCEPTANCE OF THE U.S. POSITION ON ALL MAJOR ISSUES WITH THE EXCEPTION OF WEIGHTED VOTING IN THE EXECUTIVE BOARD, THE CONSENSUS IS OBVIOUSLY QUITE FRAGILE AND LIKELY TO COLLAPSE IF THE G-77 ADOPTS A STRONG SOLID POSITION DURING THE ROME

MEETING. THERE WAS A GENERAL FEELING EXPRESSED THAT THE POSITIVE SPIRIT OF THE SEVENTH SPECIAL SESSION MUST BE CONTINUED AND THIS MAY NECESSITATE SOME FLEXIBILITY IN MEETING GROUP-77 DEMANDS. ON THE OTHER HAND THERE WAS ALSO GENERAL RECOGNITION THAT FOR EXAMPLE PROVIDING SOME FLEXIBILITY ON DIRECT LENDING BY IFAD TO RECIPIENTS "GMIRISES TCE BACIC PILL -IPLPUSHING CONSDN OPENS THE DOOR AGAINST WHICH LDC S WILL BE PUSHING CONSTANTLY. THE OPEC POSITION ON ALL THESE ISSUES WILL BE CRUCIAL. INGERSOLL

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